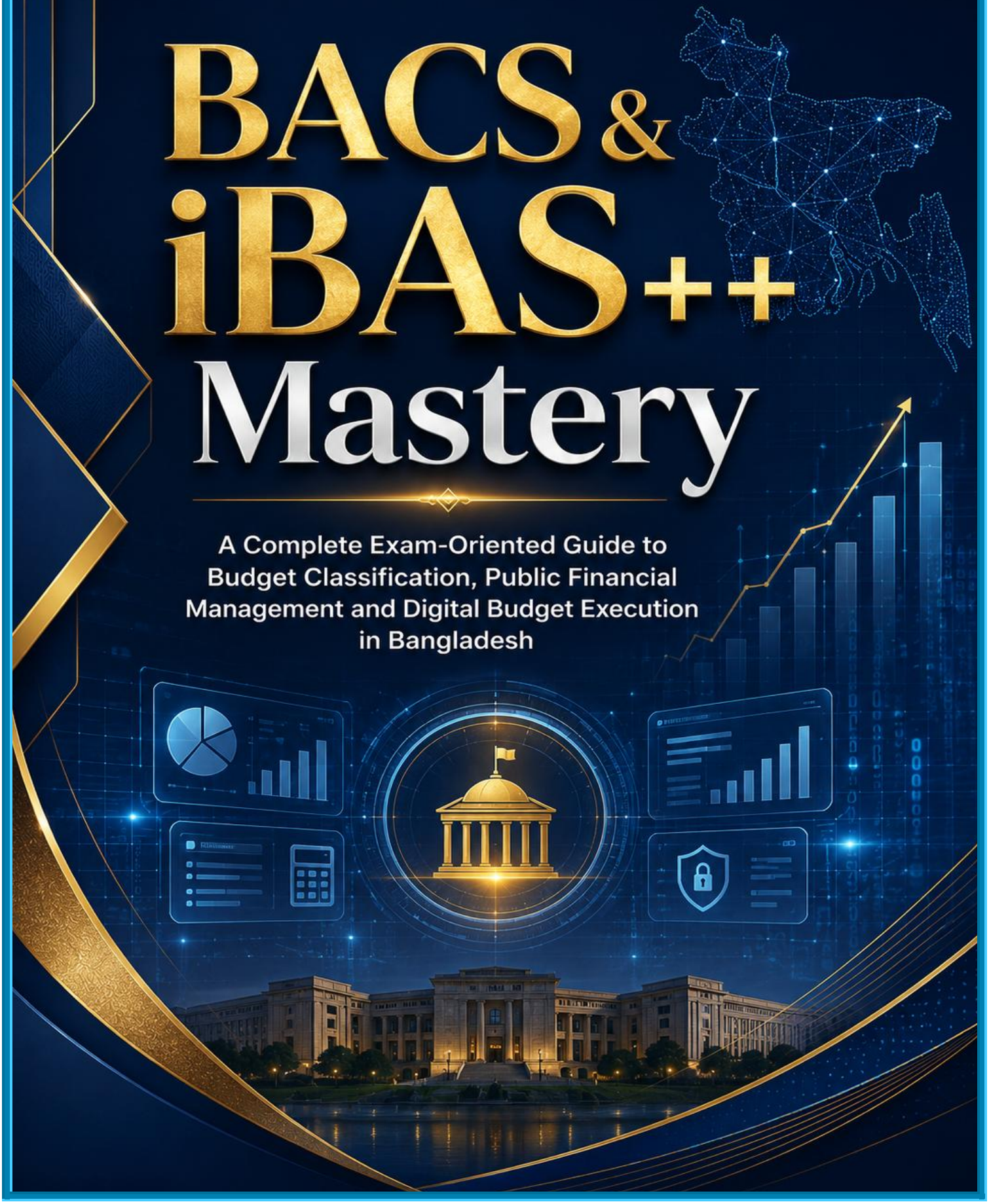
BACS & iBAS++ Mastery

A Complete Exam-Oriented Guide to Budget Classification, Public Financial Management and Digital Budget Execution in Bangladesh



Module-04
BMS Training, 2026

Compiler's Professional Identity

Name: Judge Nazmul Hasan
Service: Bangladesh Judicial Service
Present Designation: Senior Civil Judge
BJS Batch: 11th Bangladesh Judicial Service
National Merit Position: 7th
Academic Distinction: LL.B. (Honours) First Class First; LL.M. First Class
Honours: Prime Minister Gold Medalist; Agrani Bank Gold Medalist

Module-04
BMS Training, 2026

Abstract

BACS & iBAS++ Mastery: A Complete Exam-Oriented Guide to Budget Classification, Public Financial Management and Digital Budget Execution in Bangladesh is a structured professional guide prepared for learners, public officials, and participants of the Budget Management Specialist Course, with particular focus on **Module-04: BACS and iBAS++**. The work explains the conceptual, legal, institutional, and practical dimensions of Bangladesh's modern Public Financial Management system through an exam-oriented but analytically rigorous approach. The uploaded manuscript covers core areas such as the public sector and its components, COFOG classification, basic features of iBAS++, BACS core and derived segments, authorization in budget execution, budgetary and extra-budgetary central government, operating and development activities, recurrent and capital expenditure, budget preparation forms, foreign-aided project financing modes, development project fund release, and land acquisition fund transfer mechanisms.

The central purpose of this guide is to simplify the technical structure of the **Budget and Accounting Classification System**

(BACS) and the operational logic of **iBAS++**, Bangladesh's integrated digital platform for budget preparation, execution, accounting, reporting, and fiscal control. By combining definitions, comparative tables, short notes, memory aids, Bangladesh-specific examples, and examination-focused explanations, the book bridges the gap between public finance theory and administrative practice. It also highlights how standardized classification, digital transaction processing, fund control, and real-time reporting contribute to transparency, accountability, fiscal discipline, and evidence-based decision-making in government.

This work is particularly relevant for BMS trainees, civil servants, judicial officers, public finance professionals, researchers, and students interested in Bangladesh's public sector financial architecture. It may also serve as a concise reference for understanding the continuing transformation of budget management through digital public financial management systems.

Keywords: BACS, iBAS++, Public Financial Management, Budget Classification, COFOG, Bangladesh Budget, Budget Execution, Digital Governance, Fiscal Discipline, BMS Training, Government Accounting.

Module-04
BMS Training, 2026

Short Note: Public Sector and Its Components

Definition of Public Sector

The **public sector** refers to that part of the national economy which is owned, controlled, and operated by the government — central, regional, or local — to provide goods and services for the benefit of the general public. It is funded primarily through **taxes, levies, and public revenues**, and operates generally on a **non-profit basis** aimed at social welfare and public interest.

> In Bangladesh, the public sector includes all government ministries, departments, statutory bodies, state-owned enterprises (SOEs), and public financial institutions operating under government control.

Components of the Public Sector

The public sector broadly comprises the following major components:

1. General Government

This is the **core of the public sector**. It includes:

- All central/national government ministries and divisions

- Regional and local government bodies (City Corporations, Municipalities, Union Parishads)
- Non-market non-profit institutions controlled by the government

In Bangladesh, this includes the **Executive, Legislature, and Judiciary**, along with all attached departments and directorates.

2. Public Corporations / State-Owned Enterprises (SOEs)

These are **government-owned or controlled enterprises** that deliver public programs, goods, or services, often with partial financial independence. They are of two types:

- **Non-financial public corporations** — e.g., Petrobangla, BRTC, BWDB
- **Financial public corporations** — e.g., Sonali Bank, Bangladesh Bank, Janata Bank

3. Public Agencies and Statutory Bodies

These are organizations clearly part of government but operating with **a degree of operational independence** under specific laws. Examples in Bangladesh: Bangladesh Public Service Commission (BPSC), Bangladesh Securities and Exchange Commission (BSEC), National Board of Revenue (NBR).

4. Public Utilities and Infrastructure

This includes government-provided **essential services** such as water supply, electricity, gas, roads, bridges, railways, and telecommunications. In Bangladesh: WASA, DESCO, RHD, Bangladesh Railway.

5. Public Social Services

Government-run **education, health, and social welfare** institutions fall under this component. Examples: government schools and universities, public hospitals (DMCH, BSMMU), and social safety net programs.

Levels of the Public Sector

The public sector in Bangladesh operates at three levels:

Level	Examples in Bangladesh
National / Central	Ministries, Divisions, Constitutional Bodies

Regional	Divisional Commissionerate, District Administration
Local	City Corporations, Pourashavas, Union Parishads

Key Characteristics

- Funded by **public revenue** (taxes, duties, fees)
- Accountable to **Parliament and citizens**
- Governed by **public financial management laws** (e.g., Public Money and Budget Management Act, 2009 in Bangladesh)
- Aims at **public welfare**, not profit maximization

Module-04
BMS Training, 2026

Short Note: COFOG and Its 10 Components

What is COFOG?

COFOG stands for **Classification of the Functions of Government**. It is an international statistical classification system developed by the **OECD (Organisation for Economic Co-operation and Development)** in 1999 and published by the **United Nations Statistical Division**. COFOG classifies **government expenditure data** by the **purpose or function** for which the funds are used, as part of the System of National Accounts (SNA).

Purpose: COFOG enables governments and analysts to examine trends in public spending by policy area (e.g., defence, education, health) over time, facilitating **budget analysis, fiscal planning, and international comparison**.

Structure: COFOG has **three levels** — Divisions (broad objectives), Groups, and Classes (means of achieving objectives). At the first level, it divides all government expenditure into **10 Divisions (Components)**.

Module-04
BMS Training, 2026

The 10 Components (Divisions) of COFOG

No.	Division	Key Activities Covered
01	**General Public Services**	Executive & legislative organs, fiscal & financial affairs, external affairs, public debt transactions
02	**Defence**	Military defence, civil defence, foreign military aid
03	**Public Order and Safety**	Police, fire protection, law courts, prisons
04	**Economic Affairs**	Agriculture, transport, energy, communication, industry, commerce
05	**Environmental Protection**	Waste management, pollution control, biodiversity protection
06	**Housing and Community Amenities**	Housing development, water supply, community development, street lighting

07	**Health**	Hospitals, outpatient services, public health, medical products
08	**Recreation, Culture and Religion**	Sports, cultural services, broadcasting, religious institutions
09	**Education**	Primary, secondary, tertiary education, vocational training
10	**Social Protection**	Old age, disability, unemployment, family & children, housing support

Importance of COFOG in Bangladesh Budget

In Bangladesh, the **Ministry of Finance** applies COFOG-based functional classification in the national budget to:

- Show **how public money is allocated** across sectors
- Enable **performance-based budgeting** and Medium Term Budget Framework (MTBF)
- Facilitate **international comparison** with IMF and World Bank standards

Module-04
BMS Training, 2026

Memory Aid: Use the acronym — **G-D-P-E-E-H-H-R-E-S** → *General, Defence, Public Order, Economic, Environment, Housing, Health, Recreation, Education, Social Protection*

Short Note: Basic Features of iBAS++

What is iBAS++?

iBAS++ stands for **Integrated Budget and Accounting System (Version 2)**. It is the **Government Financial Management Information System (GFMIS)** of Bangladesh, developed and operated by the **Finance Division, Ministry of Finance**. It is a **centralised, internet-based, Oracle-powered** software system designed to automate all government financial transactions — receipts, payments, budgeting, and accounting — in a transparent and reliable manner.

Core Objective: To incorporate all receipts, payments, and financial transactions of the Government of Bangladesh (GoB) in a structured automated system to provide transparent, hassle-free, and reliable financial services to citizens.

Basic Features of iBAS++

1. Centralised and Web-Based System

iBAS++ is a **centralised, internet-based system** that can be accessed by all government offices across Bangladesh from a single unified platform. It is database and hardware-independent by design.

2. Automated Financial Transaction Management

It automates all types of **government receipts and payments**, including pay bills, travel bills, festival bills, and pension payments — eliminating manual processing and reducing corruption.

3. Integrated Budget Preparation

iBAS++ supports budget preparation through a **combination of top-down and bottom-up approaches** — capturing budget requirements from field offices and matching them with policy-level resource distribution. It covers budget preparation, distribution, fund release, re-appropriation, and supplementary grants at various authority levels.

4. Four Key Modules

iBAS++ operates through **four core modules**:

Module	Function
Budget Preparation	Preparing annual budget estimates

Budget Execution	Fund release, bill submission, re-appropriation
General Ledger	Recording all financial transactions
Accounting	Receipts, payments, reconciliation

5. Online Bill Submission and EFT Payment

Government employees and offices can **submit bills online** and receive payment through **Electronic Fund Transfer (EFT)**, cheque, or payment order — eliminating paper-based processing.

6. Integration with Government Systems

iBAS++ interfaces with all major national systems including:

- **Bangladesh Bank** and **Sonali Bank** Core Banking Systems (CBS)
- **TIN database** (National Board of Revenue)
- **NID database** (Election Commission)
- **e-GP system** (Electronic Government Procurement)
- Ministry of Public Administration and Planning Commission systems

7. Pay and Pension Automation

iBAS++ is integrated with the **employee database** and **pensioner database**, automating pay bill preparation and pension payment processing.

8. Comprehensive Financial Reporting

Over **400 financial management reports** can be generated through iBAS++ to support **policy-making, monitoring, auditing**, and fiscal analysis.

9. Transparency and Anti-Corruption Tool

iBAS++ **enhances transparency, reduces fraud**, and improves financial service delivery by digitising all public financial transactions. It has achieved **ISO Certification** as a globally recognized quality management system.

10. COFOG and GFS Compliant

The Chart of Accounts in iBAS++ is structured in accordance with **budget classification, COFOG, and Government Finance Statistics (GFS)** requirements — making it compliant with international PFM standards.

Significance for Bangladesh PFM

Module-04
BMS Training, 2026

iBAS++ is the **backbone of Public Financial Management (PFM)** reform in Bangladesh. It ensures that the entire government financial cycle — from budget preparation to final accounts — is managed digitally, accurately, and in real time, supporting the government's vision of **Digital Bangladesh** and **fiscal discipline**.

Module-04
BMS Training, 2026

Short Note: Core Segments of BACS *(5 Marks)*

What is BACS?

BACS stands for **Budget and Accounting Classification System**. It is the official **Chart of Accounts** of the Government of Bangladesh (GoB), used to classify, record, and report all government financial transactions — both budget and actual — in a uniform, standardised, and structured manner. BACS is implemented through the **iBAS++** platform and forms the **backbone of the entire Public Financial Management (PFM) system** in Bangladesh.

In the BMS Course, BACS is covered under **Module IV: BACS and iBAS++**.

Three Fundamental Principles of BACS

BACS is built on three core principles:

Principle	Meaning
Homogeneity	Each segment has its own unique defining characteristics

Principle	Meaning
Independence	Each segment is distinct and separate from others
Comprehensiveness	All definitions are complete and leave no gap

Total Structure of BACS

BACS has a **56-digit structure** organised into **9 segments**, divided into two categories:

Category	Segments
Core Segments (4)	Organisation, Fund, Operation, Economic
Derived/Reporting Segments (5)	Authorisation, COFOG/Function, Budget Sector, Mode of Financing, Location

The 4 Core Segments of BACS

1. Organisation Segment *(11 Digits)*

This segment identifies **WHO** is responsible for the transaction. It records the administrative entity — from the Ministry/Division level down to the individual department or subordinate office. It answers:

- Which Ministry or Division?
- Which Department?
- Which subordinate office or unit?

2. Fund Segment *(8 Digits)*

This segment identifies **THE SOURCE OF FUNDS** used for a transaction. It classifies government funds as:

- **Consolidated Fund** — GoB's main fund comprising Revenue Account and Capital Account
- **Public Account** — deposits, trust funds, and suspense accounts
- **Own Fund** — funds generated by autonomous or semi-autonomous bodies

Code Structure: 1XXXXXXX = Revenue; 2XXXXXXX = Capital Revenue; 3XXXXXXX = Expenses; 4XXXXXXX = Capital Expenditure

3. Operation Segment *(9 Digits)*

This segment identifies **WHAT ACTIVITY** the money is being used for. It distinguishes between:

- **Operating/Revenue activities** — routine, day-to-day government functions
- **Development activities** — projects, capital works, and investments

It captures the **programme, sub-programme, and specific activity** being financed.

4. Economic Segment *(7 Digits)*

This segment identifies the **ECONOMIC NATURE** of a transaction — i.e., what **type** of revenue or expenditure it represents. It follows international **GFS (Government Finance Statistics)** standards and classifies:

- Compensation of employees (salaries and allowances)
- Use of goods and services
- Grants, subsidies, and transfers
- Capital expenditure (acquisition of assets)

The 5 Derived/Reporting Segments *(Briefly)*

These segments provide supplementary analytical and reporting information:

Segment	Purpose
Authorisation *(1 digit)*	Distinguishes 'Charged' (constitutional) from 'Voted' (Parliament-approved) expenditure
COFOG / Function *(4 digits)*	Classifies expenditure by government function — Defence, Education, Health, etc.
Budget Sector *(4 digits)*	Classifies by development sector — Agriculture, Infrastructure, Energy, etc.
Mode of Financing	Identifies GoB-funded, reimbursable, or donor-direct funded transactions
Location	Tracks geographic level — Division, District, Upazila, Union

Why BACS Matters

BACS enables the Government of Bangladesh to:

- Prepare and execute the **national budget** in a structured and consistent manner

- Track **where, by whom, and for what purpose** public money is spent
- Generate meaningful **fiscal and management reports** for Parliament, Ministry of Finance, and development partners
- Comply with **international PFM standards** — GFS, COFOG, and IMF guidelines

Memory Aid for 4 Core Segments: "O-F-O-E" →

Organisation, Fund, Operation, Economic

Short Note: Authorization in Budget Execution *(5 Marks)*

What is Authorization in Budget Execution?

Authorization in budget execution refers to the **legal and administrative process** by which the Government of Bangladesh (GoB) grants permission to spend public funds in accordance with the approved budget. It is the mechanism that ensures **no public money is spent without proper legal sanction** — from Parliament down to the executing officer level.

Legal Basis: Articles **80–92** of the **Constitution of Bangladesh** and the **Public Money and Budget Management Act, 2009** provide the constitutional and statutory framework for budget authorization.

Levels of Authorization in Budget Execution

Authorization in budget execution operates at **four sequential levels**:

Level 1: Parliamentary Authorization

The **Finance Minister** presents the Annual Budget (Finance Bill + Appropriation Bill) in Parliament. Parliament provides authorization in two ways:

Type	Nature	Examples
Voted Expenditure	Approved annually by Parliament through Demands for Grants	All regular ministry expenditures
Charged Expenditure	Mandated by the Constitution — not voted, only discussed	Salary of President, Judges of Supreme Court, Speaker, CAG, Election Commissioners, Public Debt charges

After parliamentary debate, the **Appropriation Act** is passed, which legally authorizes withdrawal of funds from the **Consolidated Fund**.

Level 2: Administrative Authorization (Allotment)

Once Parliament approves the budget, the **Finance Division** issues the **Annual Development Programme (ADP)** and **Revised Budget allocations** to all ministries and divisions. This is done through **iBAS++** via the **Budget Distribution Module**, where:

- Finance Division distributes allotments to **Principal Accounting Officers (PAOs)**
- PAOs further distribute to **Drawing and Disbursing Officers (DDOs)**
- No expenditure can be made beyond the **distributed allotment**

Level 3: Authorization Through BACS — Authorisation Segment

In the BACS coding structure, the **Authorisation Segment (1 digit)** is a **derived segment** that tags every financial transaction to identify whether the expenditure is:

Code	Type	Meaning
C	Charged	Expenditure mandated by the Constitution — cannot be refused by Parliament
V	Voted	Expenditure approved annually through parliamentary vote on Demands for Grants

This segment ensures every transaction in **iBAS++** is correctly classified and traceable to its legal authority.

Level 4: Pre-Payment Authorization (iBAS++ Fund Check)

Before any bill is approved for payment, **iBAS++ automatically verifies** whether:

- Sufficient **budget allotment** exists in the relevant BACS code
- The transaction complies with applicable **financial rules and delegation of powers**
- All required **approvals and authorizations** from competent authorities are in place

Only after this automated fund check does iBAS++ allow the issuance of **Cheque, EFT (Electronic Fund Transfer), or Payment Order**.

Key Authorities in Budget Authorization

Authority	Role
Parliament	Passes Appropriation Act; votes on Demands for Grants
Finance Division	Issues allotments; controls fund release
Principal Accounting Officer (PAO)	Distributes funds to subordinate offices
Drawing & Disbursing Officer (DDO)	Authorizes bills at field/office level
iBAS++	Automated pre-payment fund check and control

Significance of Authorization

A proper authorization system in budget execution ensures:

- **Legality** — no spending without Parliament's approval

- **Fiscal discipline** — prevents over-expenditure and misuse of funds
- **Accountability** — every transaction is traceable to a responsible officer
- **Transparency** — real-time monitoring through iBAS++ and financial reports
- **PFM compliance** — meets international standards of public financial management

Memory Aid: Authorization flows **top-down → Parliament → Finance Division → PAO → DDO → iBAS++ fund check → Payment**

Module-04
BMS Training, 2026

Differences between Budgetary Central Government and Extra Budgetary Central Government

Under Bangladesh's **Budget and Accounting Classification System (BACS)**, the Public Sector is divided into several entity types. Two of the most important — and most examined — are the **Budgetary Central Government (BCG)** and the **Extra Budgetary Central Government (EBCG)**.

Key Differences at a Glance

Basis of Difference	Budgetary Central Government (BCG)	Extra Budgetary Central Government (EBCG)
Definition	Central government entities whose revenues and expenditures are fully included in the national	Government entities operating under central government but whose budgets are **not** part of the main national budget

Basis of Difference	Budgetary Central Government (BCG)	Extra Budgetary Central Government (EBCG)
	budget approved by Parliament	presented to Parliament
Budget inclusion	All receipts and payments are reflected directly in the national budget	Operates through separate/autonomous budgets outside the main national budget
Parliamentary control	Subject to full parliamentary appropriation and vote	Not subject to direct parliamentary appropriation; enjoys greater operational autonomy
Funding source	Funded primarily through the Consolidated	May be funded through own source revenue, grants, or transfers from the government

Basis of Difference	Budgetary Central Government (BCG)	Extra Budgetary Central Government (EBCG)
Accounting system	Fund of the Republic Uses the government budget and accounting classification system (iBAS++) directly	Maintains its own accounting system; may use BACS in future as the system is extended
Organizational code (BACS)	Identified by **Code "1"** in the first digit of the Organizational Segment	Identified by **Code "2"** in the first digit of the Organizational Segment
Examples	All Ministries, Divisions,	Autonomous bodies, statutory

Basis of Difference	Budgetary Central Government (BCG)	Extra Budgetary Central Government (EBCG)
	Directorates, and subordinate offices of the Government of Bangladesh (e.g., Ministry of Finance, Ministry of Health, Directorate of Primary Education)	organizations, and self-governing institutions (e.g., Bangladesh Bank, BEPZA, RAJUK, public universities)
Financial autonomy	Low — fully controlled by the central government	High — enjoys functional and financial independence within

Basis of Difference	Budgetary Central Government (BCG)	Extra Budgetary Central Government (EBCG)
	budget mechanism	their own regulatory framework
Transparency/reporting	Reported in the national budget document and audited by the Comptroller and Auditor General (CAG)	Subject to separate audit; financial information not always consolidated with main national budget
GFS Classification	Forms the core of "General Government" under IMF Government Finance Statistics (GFS)	Also part of General Government sector under GFS, but classified separately

Significance in Bangladesh PFM Reform

Under the new **56-digit BACS**, the first digit of the **Organizational Segment** identifies the type of public sector entity:

- **1** → Budgetary Central Government
- **2** → Extra Budgetary Central Government
- **3** → Local Government
- **6** → Public Non-Financial Corporations
- **7** → Public Financial Corporations

This classification allows **iBAS++** to eventually capture the accounts of all public entities — not just the Budgetary Central Government — enabling a **Whole of Government** financial picture in Bangladesh.

Summary Principle

The fundamental distinction is one of **budgetary inclusion and parliamentary control**: Budgetary Central Government entities are fully accountable through the national budget to Parliament, while Extra Budgetary Central Government entities operate with functional and financial autonomy outside the main budget, though they remain part of the broader public sector.

Module-04
BMS Training, 2026

Differences between Operating Activity and Development Activity

The national budget of Bangladesh is broadly divided into two parts based on the **nature of expenditure and purpose**: the **Operating Budget** (covering Operating Activities) and the **Development Budget** (covering Development Activities). Understanding the distinction between these two is fundamental to Public Financial Management (PFM) in Bangladesh.

Key Differences

Basis of Difference	Operating Activity	Development Activity
Definition	Activities relating to the day-to-day running and administration of government	Activities aimed at creating new assets, infrastructure, and long-term national development
Budget type	Reflected in the **Operating/Revenue Budget**	Reflected in the **Development Budget (ADP — Annual**

Basis of Difference	Operating Activity	Development Activity
		Development Programme)
Primary purpose	Maintain existing government functions and service delivery	Create new capital assets, expand capacity, and achieve socio-economic development goals
Nature of expenditure	Recurrent / Recurring in nature (repeated every year)	Non-recurrent / Capital in nature (one-time or project-based)
Time horizon	Short-term (within the financial year)	Medium to long-term (multi-year projects)
Planning instrument	Annual budget estimates of ministries/divisions	Annual Development Programme (ADP) approved by NEC (National Economic Council)
Key components	Pay and allowances, goods and services, interest payments,	Construction of roads, bridges, schools, hospitals; procurement of

Basis of Difference	Operating Activity	Development Activity
	subsidies, pensions, and transfers	major equipment; development projects
Managing authority	Finance Division, Ministry of Finance	Planning Commission & Implementation Monitoring and Evaluation Division (IMED)
Project dependency	Not project-based; runs through regular administrative units	Project-based; each development activity is tied to a specific **Development Project Proposal (DPP)** or **Technical Assistance Project Proposal (TAPP)**
Fund release mechanism	Released through **iBAS++** against budget allocation of the operating budget	Released through **iBAS++** against approved project allocation under ADP

Basis of Difference	Operating Activity	Development Activity
Output	Service delivery and government administration output	Physical assets, infrastructure, capacity building outcomes
Examples	Salaries of government employees, office rent, utilities, stationery, fuel	Padma Bridge project, construction of a new hospital, installation of new school buildings, IT infrastructure projects
Effect on national accounts	Affects the **Revenue Account**	Affects the **Capital Account**

Important Note for BMS Examination

In Bangladesh's budget framework, the **Operating Budget** is entirely funded from **government's own revenue** (tax and non-tax revenue). The **Development Budget (ADP)** is financed through a combination of **domestic resources** and **foreign project aid** (loans and grants from development partners).

For FY 2025-26, the total budget is **Taka 7,90,000 crore**, of which the ADP (Development Budget) is **Taka 2,30,000 crore** (later revised to Taka 2,00,000 crore), and the remaining operating/other expenditure is approximately **Taka 5,88,000 crore**.

Core Principle to Remember

Operating activities keep the government running today; Development activities build the nation for tomorrow. Operating expenditure is consumed within the year with no lasting asset created, whereas development expenditure creates durable public assets that generate long-term socio-economic returns.

Module-04
BMS Training, 2026

Differences between Recurrent Expenditure and Capital Expenditure

In Bangladesh's Public Financial Management (PFM) framework, all government expenditure is classified under two broad economic categories: **Recurrent Expenditure** and **Capital Expenditure**. This distinction is fundamental to the **Budget and Accounting Classification System (BACS)** and is essential for sound budget preparation, execution, and reporting.

Key Differences

Basis of Difference	Recurrent Expenditure	Capital Expenditure
Definition	Expenditure incurred for the day-to-day operations and administration of government that does not result in creation of a physical asset	Expenditure that results in the creation, acquisition, or improvement of a long-term physical or financial asset
Nature	Recurring — repeats every financial year	Non-recurring — one-time or project-based spending

Basis of Difference	Recurrent Expenditure	Capital Expenditure
Purpose	To maintain existing government functions and deliver public services	To create new assets and expand the productive capacity of the government
Asset creation	Does **not** create any durable asset	Creates or acquires a **durable asset** (physical or financial)
Time horizon	Short-term (consumed within the budget year)	Long-term benefit (asset lasts beyond the budget year)
Budget classification	Reflected in the **Operating/Revenue Budget**	Reflected in the **Development Budget (ADP)** and capital portion of the operating budget
Economic classification (BACS)	Classified under **Economic Code** for recurrent items: pay & allowances, goods &	Classified under **Economic Code** for capital items:

Basis of Difference	Recurrent Expenditure	Capital Expenditure
	services, subsidies, interest payments, pensions	acquisition of assets, capital transfers, equity investments
Effect on government balance sheet	**Reduces net worth** — no corresponding asset created	**Does not reduce net worth** — a new asset is added to the balance sheet against the expenditure
Financing source	Should ideally be financed entirely from **government revenue** (tax and non-tax)	May be financed from **domestic and foreign loans, grants,** or development budget allocations
Key components	Pay and allowances, rent, utilities, stationery, fuel, repairs and maintenance, subsidies, interest on loans, transfers and pensions	Construction of roads, bridges, buildings, purchase of major equipment, acquisition of land,

Basis of Difference	Recurrent Expenditure	Capital Expenditure
Examples	Monthly salaries of civil servants, electricity bills of government offices, interest payments on public debt	Construction of a school building, purchase of equity participation in SOEs, building a highway, installation of power plant
GDP impact	Counted as **Government Consumption** in national accounts	Counted as **Gross Fixed Capital Formation (GFCF)** in national accounts

Bangladesh-Specific Context

In FY 2025-26, Bangladesh's **recurrent (current) expenditure** is projected to reach **8.7% of GDP**, while **capital expenditure** has fallen sharply to just **1.9% of GDP** — down from 4.7% in FY2021. Economists and the World Bank have warned that rising recurrent expenditure is **"crowding out"** capital spending, which threatens

long-term growth, employment, and poverty reduction. The government even had to borrow to finance recurrent expenditure in FY2025, resulting in a **revenue deficit** — a structurally unhealthy situation in PFM.

Core Principle to Remember

Recurrent expenditure keeps the government alive today; Capital expenditure builds the nation's future. Sound fiscal management requires that recurrent expenditure is fully covered by revenue receipts, and only capital expenditure is financed through borrowing or development loans — a principle known as the **Golden Rule of Public Finance**.

Module-04
BMS Training, 2026

Differences among Form 8A(1), 8A(2), Form 8B(1) and Form 8B(2)

In Bangladesh's **iBAS++ Budget Preparation System** under **Budget Circular-1 (BC-1)**, **Form-8** is the standard budget **Estimation and Projection Form** used by all ministries, divisions, and offices. Form-8 is divided into two major groups — **Form 8A** (for Operating Expenditure) and **Form 8B** (for Development Expenditure) — each further sub-divided into two sub-forms based on the type of spending unit or activity.

Group-A: Form 8A — Operating Activity (Estimation & Projection)

These forms are used for estimating and projecting **Operating/Recurrent Expenditure** under Budget Circular-1 in iBAS++.

Form 8A(1) — General & Special Activity

Feature	Details
Full name	Form 8(A-1): Operating Expenditure — Estimation and Projection for **General / Special Activity**
Used by	Regular government offices, ministries, divisions, and directorates conducting day-to-day administrative functions
Nature of activity	General administrative operations and special designated activities of government offices
Classification basis	**Economic Code wise** — entries are made against specific economic codes (e.g., pay & allowances, goods & services, utilities)
iBAS++ Menu path	Budget Preparation > BC-1 > Estimation & Projection > Expenditure (Form-8) > **Operating Activity (Form 8A)** > **General & Special** > Entry

Form 8A(2) — Support / Local Government Expenditure

Feature	Details
Full name	Form 8(A-2): Operating Activity — **Support / Local Government Expenditure** — Estimation & Projection

Feature	Details
Used by	Offices that provide support grants or transfers to **Local Government institutions** (e.g., Union Parishad, Upazila Parishad, Municipality)
Nature of activity	Transfer payments and support expenditure flowing from central government to local government bodies
Classification basis	Captures **transfer and subsidy payments** to support bodies and local government institutions
iBAS++ Menu path	Budget Preparation > BC-1 > Estimation & Projection > Expenditure (Form-8) > **Operating Activity (Form 8A)** > **Support / Local Govt** > Entry

---

Group-B: Form 8B — Development Activity (Estimation & Projection)

These forms are used for estimating and projecting **Development/Capital Expenditure** under the Annual Development Programme (ADP) in iBAS++.

Module-04
BMS Training, 2026

Form 8B(1) — ADP (General Development Projects)

Feature	Details
Full name	Form 8(B-1): Development Activity — **ADP Expenditure** — Estimation and Projection
Used by	Project Directors and implementing agencies managing **ADP-funded development projects** with a standard **Development Project Proposal (DPP)**
Nature of activity	Capital investment activities under the Annual Development Programme — construction, procurement, infrastructure
iBAS++ login basis	Logged in using a **9-digit Project ID** (distinct from office-based login)
iBAS++ Menu path	Budget Preparation > BC-1 > Estimation & Projection > Expenditure (Form-8) > **Development Activity (Form 8B)** > **ADP** > Entry

Module-04
BMS Training, 2026

Form 8B(2) — ADP (Technical Assistance / Special Development Projects)

Feature	Details
Full name	Form 8(B-2): Development Activity — **ADP Expenditure** (Technical Assistance / Special Projects) — Estimation and Projection
Used by	Projects operating under **Technical Assistance Project Proposal (TAPP)** or special ADP-funded schemes involving foreign aid and capacity-building
Nature of activity	Technical assistance, training, research, and capacity-building activities financed under ADP by foreign development partners
iBAS++ Menu path	Budget Preparation > BC-1 > Estimation & Projection > Expenditure (Form-8) > **Development Activity (Form 8B)** > **ADP** > Entry

Quick Comparison Summary

Feature	Form 8A(1)	Form 8A(2)	Form 8B(1)	Form 8B(2)
Budget type	Operating	Operating	Development	Development
Activity type	General/Special	Support/Local Govt	ADP (DPP)	ADP (TAPP)
Expenditure nature	Recurrent	Transfer/Support	Capital	Technical Assistance
Entry ID used	Office ID	Office ID	Project ID (9-digit)	Project ID (9-digit)
Implementing body	Ministry/Directorate	Central Govt to Local Govt	Project Directorate	TA Project Directorate

Core Principle to Remember

Form 8A covers **Operating Activities** (day-to-day running costs), while **Form 8B** covers **Development Activities** (project-based capital investment). Within each group, sub-forms **(1)** and **(2)** distinguish between the **type of office or activity** — general/regular versus support/transfer in 8A, and DPP-based versus TAPP-based

in 8B. All four forms are entered and approved within **iBAS++** under **Budget Circular-1 (BC-1)**.

Module-04
BMS Training, 2026

Differences among RPA (through GoB), RPA (through Special Account), and DPA (Direct Project Aid)

[Module-4 | BMS Course | IPF, Ministry of Finance, Bangladesh | Marks: 05]

In Bangladesh's **Budget and Accounting Classification System (BACS)**, the **Mode of Financing Segment** is a dedicated **1-digit segment** within the 56-digit BACS code that identifies the mechanism through which **foreign-funded development projects** receive and utilize project finance. It has three distinct modes:

- **Code 1 → RPA through GoB** (Reimbursable Project Aid through Government of Bangladesh)
- **Code 2 → RPA through Special Account** (Reimbursable Project Aid through Special Account)
- **Code 3 → DPA** (Direct Project Aid)

These three modes are recorded in the **Mode of Financing Segment** of iBAS++ for every development project receiving foreign assistance.

Key Differences

Basis of Difference	RPA through GoB (Code-1)	RPA through Special Account (Code-2)	DPA — Direct Project Aid (Code-3)
Full form	Reimbursable Project Aid — through Government of Bangladesh	Reimbursable Project Aid — through Special Account	Direct Project Aid
Definition	Foreign aid where GoB **first incurs the expenditure** from its own funds and the donor **later reimburses**	Foreign aid where the donor opens a **Special Account (Imprest Account)** in Bangladesh Bank and funds are drawn from	Foreign aid where the donor **directly pays** the contractor, supplier, or consultant abroad without money ever passing through the

Basis of Difference	RPA through GoB (Code-1)	RPA through Special Account (Code-2)	DPA — Direct Project Aid (Code-3)
	the amount to the government	that account for project expenditure	government's accounts
Flow of funds	GoB treasury funds used first → expenditure incurred → donor reimburses GoB → reimbursed amount credited back to GoB bank account	Donor deposits funds in a **Special Account at Bangladesh Bank** → Project Director draws funds from that account → replenished periodically by donor	Donor pays **directly** to foreign contractor/supplier in the donor country — funds **never enter Bangladesh government accounts**

Basis of Difference	RPA through GoB (Code-1)	RPA through Special Account (Code-2)	DPA — Direct Project Aid (Code-3)
Initial funding source	**GoB Consolidated Fund**	**Donor's Special Account** (held at Bangladesh Bank)	**Donor's own fund** (paid overseas)
Impact on government cash flow	**Strains** GoB cash flow initially, as GoB must spend first before reimbursement	**Minimal impact** on GoB cash flow — donor funds are pre-deposited	**No impact** on GoB cash flow at all
Accounting in GoB books	Expenditure is **recorded in GoB accounts** when incurred; reimbursement	Expenditure is recorded as **"Authorization basis"** (book adjustment);	**No entry** in GoB cash accounts; only a **memorandum record** is maintained

Basis of Difference	RPA through GoB (Code-1)	RPA through Special Account (Code-2)	DPA — Direct Project Aid (Code-3)
	is recorded as receipt	does not affect GoB cash	
Reflection in national budget	Fully reflected in both **budget allocation and actual expenditure** in iBAS++	Reflected in budget allocation; actual recorded by **book adjustment** (not cash)	Recorded in ADP for planning purposes but **not in cash** of GoB
Treasury Single Account (TSA)	Passes through the **TSA / Consolidated Fund**	Does **not pass through** the Consolidated Fund	Does **not touch** the government treasury at all
Common donors using this mode	World Bank, ADB (where reimbursement	World Bank, ADB (Imprest/Special	Bilateral donors for procurement of goods/services abroad

Module-04
BMS Training, 2026

Basis of Difference	RPA through GoB (Code-1)	RPA through Special Account (Code-2)	DPA — Direct Project Aid (Code-3)
	arrangements exist)	Account arrangements)	
Example	GoB pays contractor for a road project → World Bank reimburses GoB after verifying expenditure	World Bank deposits USD in Special Account at Bangladesh Bank → Project Director withdraws for local project costs	Japan pays a Japanese construction firm directly for building a bridge in Bangladesh under JICA loan
BACS Mode of Financing Code	**1**	**2**	**3**

Position in BACS (56-Digit Code)

In the **56-digit BACS** structure, the **Mode of Financing** is a **single-digit segment** forming part of the **Additional Posted Segment**. It is entered in iBAS++ at the time of budget preparation and accounting for all **ADP development projects** receiving foreign project assistance.

[Organization-13] [Operation-9] [Fund-8] [Economic-7] [Mode of Financing-1] [Location-9]...

↑

1 = RPA through GoB

2 = RPA through Special Account

3 = DPA (Direct Project Aid)

Core Principle to Remember

The three modes differ fundamentally in **who spends first and how the money flows**: In **RPA through GoB**, the government spends first and is reimbursed; in **RPA through Special Account**, the donor pre-deposits funds for the government to draw; in **DPA**, the donor pays directly and government cash is never involved. All three are captured in the **Mode of Financing Segment (1 digit)** of BACS to ensure transparent recording of foreign aid in development project financing.

Module-04
BMS Training, 2026

Development Projects Fund Release Process for Government Offices

Short Answer (4 Marks)

Definition & Legal Basis

The **fund release process** for government offices' development projects refers to the structured procedure through which allocated funds under the **Annual Development Programme (ADP)** are disbursed and made available for project implementation. The primary governing document is the **"উন্নয়ন প্রকল্পসমূহের অর্থ অবমুক্তি ও ব্যবহার নির্দেশিকা"** (Guidelines for Fund Release and Use of Development Projects) issued by the **Finance Division, Ministry of Finance**.

Step-by-Step Fund Release Process

Step 1 — Budget Allocation & ADP Inclusion

The project must be included in the **Annual Development Programme (ADP)**. The Finance Division allocates funds to each

project under the respective Ministry/Division as part of the national budget approved by Parliament.

Step 2 — Budget Distribution Order (বিভাজন আদেশ)

After Parliament approves the budget, the concerned **Administrative Ministry/Division** issues a **Budget Distribution Order** to distribute the allocated funds to the implementing agency or Project Director (PD). This is processed through **iBAS++** (Integrated Budget and Accounting System).

Step 3 — Fund Release Authorization (অর্থ অবমুক্তি)

- For the **1st and 2nd installments**, under revised rules, the Project Director can directly utilize funds from the **1st day of July** without needing a separate fund release order from the Ministry.
- For **3rd and 4th installments**, the Administrative Ministry/Division issues a formal **Fund Release Order (অর্থ ছাড়ের আদেশ)** after reviewing physical and financial progress.

Step 4 — DDO Bill Submission via iBAS++

The **Drawing and Disbursing Officer (DDO)** or Project Director submits bills online through **iBAS++**. The system automatically checks fund availability before approving expenditure.

Step 5 — Accounts Office Processing

The bills are submitted to the respective **Accounts Office**, which verifies, audits, and approves payments. The Controller General of Accounts (CGA) oversees this stage.

Step 6 — Payment & Expenditure Recording

After approval, payment is made electronically. All transactions are recorded in iBAS++ for **transparency, reporting, and audit purposes**.

Special Conditions

- **CD/VAT funds** require a separate release process and cannot be released by the Project Director independently.
- **Foreign-aided projects** (loan/grant) follow donor conditions alongside GoB guidelines.
- **Autonomous/semi-autonomous bodies** follow a distinct fund release order format as per the Finance Division guidelines.

- Projects are categorized as **Category A, B, and C** by priority; Category C projects may have fund releases suspended during austerity periods.

Key Authorities Involved

Authority	Role
Finance Division	Issues guidelines, releases 3rd & 4th installments for major projects
Administrative Ministry/Division	Issues Budget Distribution Order; releases installments
Project Director (PD)	Utilizes released funds, submits progress reports
DDO (Drawing & Disbursing Officer)	Submits bills through iBAS++
Accounts Office / CGA	Verifies, processes, and approves payments

Key Takeaway for Exam: The fund release process flows from **Parliament → Finance Division → Ministry/Division → Project Director → DDO → Accounts Office**, and is fully integrated through the **iBAS++** digital platform to ensure accountability, transparency, and efficient ADP implementation.

Module-04
BMS Training, 2026

Fund Release Process: Approved and Unapproved Government Projects

Short Answer (4 Marks)

Background

In Bangladesh, government development projects are included in the **Annual Development Programme (ADP)**. Based on approval status, these projects are classified into **two categories**: (i) **Approved Projects** and (ii) **Unapproved Projects**. The fund release process differs significantly between these two categories, governed by the **Finance Division's Instructions on Fund Release and Utilization for Development Projects** and the **General Financial Rules (GFR)**.

Part A — Fund Release Process for Approved Projects

An **approved project** is one that has received formal approval from the competent authority (Ministry, ECNEC, or Planning Commission) and is duly included in the ADP with fund allocation (listed in the **"White Pages"** of ADP).

The fund release process follows these steps:

1. **Budget Allocation:** After Parliament approves the national budget, the Finance Division distributes the allocated budget to administrative Ministries/Divisions via budget books every July.
2. **Budget Distribution Order (বিভাজন আদেশ):** The administrative Ministry/Division issues a Budget Distribution Order and places funds in favor of the Project Director (PD) through **iBAS++**.
3. **Quarterly Installment Release:** Funds are released in **four quarterly installments**. The Project Director can utilize the **1st and 2nd installments** from the 1st day of July without waiting for a separate fund release order. The **3rd and 4th installments** require submission of financial and physical progress reports.
4. **Expenditure via DDO/iBAS++:** The Drawing and Disbursing Officer (DDO) or Project Director submits bills through **iBAS++**. The Accounts Office verifies fund availability and processes payments.
5. **Reporting and Monitoring:** The administrative Ministry/Division sends account statements reporting funds released and expenditures incurred on the **15th and 30th of**

each month to the Finance Division. An annual statement must be submitted by **15 July**.

6. **Oversight:** The **Controller General of Accounts (CGA)** supervises payment processing, and the **Comptroller and Auditor General (CAG)** conducts post-audit.

✓ **Key Rule:** Funds can only be released and utilized during the valid project period. After the project ends, no further fund release is allowed unless the project is re-included in the revised ADP (RADP).

Part B — Fund Release Process for Unapproved Projects

An **unapproved project** is one that is listed in the ADP's **"Green Pages"** — included in the development programme but **without formal approval or fund allocation**.

The fund release process for such projects is as follows:

1. **No Direct Fund Release Allowed:** Since the project lacks formal approval, **no fund can be released** for implementation until it obtains proper approval from the competent authority.[

2. **Approval Process Must Be Completed First:** The implementing Ministry/Division must submit the **Development Project Proforma (DPP)** or **Technical Assistance Project Proforma (TAPP)** to the Planning Commission for appraisal and approval — either at the Ministry level or ECNEC level, depending on project cost.
3. **Inclusion in ADP with Fund Allocation:** Once approved, the project is moved from the "Green Pages" to the **"White Pages"** of the ADP or RADP with a specific fund allocation.
4. **Fund Release Begins After Approval:** Only after this formal approval and inclusion with allocation does the normal fund release process (as described for approved projects above) begin through the Finance Division, Ministry/Division, and iBAS++.
5. **Exceptional/Advance Action:** In urgent cases, a Ministry may take **administrative approval** for advance action from the competent authority before formal project approval, but financial expenditure is strictly prohibited until the DPP is approved.

Comparative Summary

Feature	Approved Project	Unapproved Project
ADP Listing	White Pages (with allocation)	Green Pages (no allocation)
Fund Release	Allowed in quarterly installments	Not allowed until approved
Prerequisite	ECNEC/Ministry approval obtained	DPP must first be approved
iBAS++ Processing	Active	Inactive until approved
Expenditure	Permitted	Strictly prohibited

Key Takeaway for Exam: For **approved projects**, funds are released in quarterly installments through the Ministry → Project Director → DDO → Accounts Office via iBAS++. For **unapproved projects**, no fund can be released until formal DPP approval is obtained, the project is included in the ADP/RADP with allocation, and the standard fund release mechanism is then activated.

Module-04
BMS Training, 2026

Fund Transfer to Deputy Commissioner for Land Acquisition

Short Answer (4 Marks)

Legal Framework

In Bangladesh, land acquisition is governed by the **Acquisition and Requisition of Immovable Property Act, 2017** (Act No. 21 of 2017), which replaced the colonial-era Acquisition and Requisition of Immovable Property Ordinance, 1982. Under this Act, the **Deputy Commissioner (DC)** of the respective district is the **principal authority** responsible for acquiring land, determining compensation, and making payments to the affected landowners.

Who Requests the Fund?

Land acquisition is initiated by a **Requisitioning Organization/Body** (প্রত্যাশী সংস্থা) — such as a government ministry, department, or public agency — that requires land for a public purpose or project. The fund transfer process begins upon the Requisitioning Organization's formal request.

Step-by-Step Fund Transfer Process to DC

Step 1 — Submission of Land Acquisition Proposal

The **Requisitioning Organization** submits a formal land acquisition proposal to the DC's office. The Additional District Commissioner (Revenue) and the concerned Upazila Nirbahi Officer (UNO) verify the feasibility of the land.

Step 2 — Cost Estimation by DC

The DC's **Land Acquisition (LA) Branch** prepares a **cost estimate** of the total compensation payable, including:

- Market value of the land
- **200% premium** on market value for public purpose acquisitions, and **300%** for private purpose acquisitions
- Compensation for structures, trees, standing crops, and damage.

Step 3 — Fund Demand to the Requisitioning Body

The DC formally notifies the Requisitioning Organization of the **total estimated cost** of acquisition. The Requisitioning Organization is required to **deposit the full estimated amount** with the DC's office before the acquisition process proceeds further.

Step 4 — Fund Deposit by the Requisitioning Body

The Requisitioning Organization transfers/deposits the required funds into the **DC's government Treasury Account (সরকারি তহবিল)**. This is done through:

- **Treasury Challan** (সরকারি কোষাগারে জমা)
- Or via **iBAS++** through electronic fund transfer to the designated government account under the DC.

Step 5 — Fund Availability Confirmation

Once funds are deposited in the Treasury/LA fund, the DC confirms availability. No acquisition and compensation payment can proceed without this fund confirmation.

Step 6 — Compensation Payment to Landowners

After completing the formal acquisition process (Section 7 Declaration and Section 8 Award), the DC distributes **compensation checks** to the affected landowners. Under directive from the Ministry of Land, this must be done **without delay** after the DC approves the award.

Step 7 — Fund Utilization and Accounting via iBAS++

All financial transactions — fund receipt and compensation disbursements — are recorded in the **iBAS++ Accounts Module**. The Accounts Office verifies and processes all payments, maintaining a transparent audit trail.

Requisitioning Organization (প্রত্যাশী সংস্থা)
↓ (Deposits full estimated amount)
Government Treasury / DC's LA Fund Account
↓ (Verified via iBAS++)
Deputy Commissioner (DC)
↓ (Distributes after award under Section 8)
Affected Landowners (Compensation Cheque/EFT)

Key Rules to Remember

Point	Rule
Who deposits funds?	The Requisitioning Organization (প্রত্যাশী সংস্থা)
Where are funds deposited?	Government Treasury under DC's LA account

Point	Rule
Premium rate (public purpose)	200% on market value
Premium rate (private purpose)	300% on market value
System used for tracking	iBAS++ (Accounts Module)
Authority for compensation payment	Deputy Commissioner (DC)

Key Takeaway for Exam: Funds for land acquisition are **not released by the Finance Division** directly to the DC. Instead, the **Requisitioning Organization deposits the full estimated compensation amount** into the government treasury/LA fund under the DC's control. The DC then utilizes this fund to pay compensation to landowners after completing the statutory acquisition process under the **Acquisition and Requisition of Immovable Property Act, 2017**, with all transactions recorded through **iBAS++**.

BACS & iBAS++ Mastery

A Complete Exam-Oriented Guide to Budget Classification, Public Financial Management and Digital Budget Execution in Bangladesh